

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06

SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01

/096 W

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R 222120Z MAR 77

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 6157

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E.O. 11652: N/A

TAGS: EPET, HO

SUBJECT: HONDURAS REQUESTS EMBASSY INTERVENTION TO MEET PETROEUM  
SHORTAGE

REF: TEGUCIGALPA 0898

### SUMMARY

FONMIN PALMA MARCH 21 RELATED TO AMBASSADOR BECKER GOH DICISION  
TO ASK US ASSISTANCE IN MEETING SERIOUS FUEL SHORTAGE CAUSED BY  
REFINERY BREAKDOWN. TEXACO CONFIRMED TO EMBASSY THAT STOCKS OF  
DIESEL AND GASOLINE WERE VERY LOW EVEN BEFORE REFINERY BREAK-  
DOWN, AND THERE WAS URGENT NEED TO IMPORT THEM. TEXACO AND  
ESSO REPS BELIEVE THEY CAN OBTAIN DIVERSIONS OF SHIPMENTS IN  
CARIBBEAN AREA AND THAT STATE DEPARTMENT ASSISTANCE WILL NOT  
BE REQUIRED.

1. FOREIGN MINISTER ROBERTO PALMA GALVEZ CALLED AMBASSADOR  
BECKER ON MARCH 21 TO REQUEST U.S. GOVERNMENT ASSISTANCE IN  
SECURING PROMPT SHIPMENT OF PETROLEUM PRODUCTS TO MEET SERIOUS  
SHORTAGES CAUSED BY BREAKDOWNS AT TEXACO'S HONDURAS REFINERY IN  
PAST FEW DAYS. DECISION WAS MADE TO ASK US HELP AT SPECIAL

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CABINET MEETING HELD MARCH 19 TO REVIEW SITUATION. THE  
MINISTER EXPLAINED THAT RESERVE STOCKS WERE CRITICALLY LOW AND  
WOULD BE DEPLETED UNLESS REFINERY CAN RESUME FULL OPERATION THIS  
WEEK. HE ADDED THAT LOCAL TEXACO AND ESSO REPRESENTATIVES HAD  
BEEN UNABLE TO GIVE EARLY ASSURANCES THAT THEY COULD OBTAIN  
TIMELY DELIVERIES FROM SOURCES IN CARIBBEAN AREA. THE SITUATION  
COULD REQUIRE SEVERE RATIONING AND HAVE SERIOUS IMPACT ON ECONOMY.

AMBASSADOR BECKER EXPRESSED WILLINGNESS TO REVIEW MATTER WITH LOCAL REPRESENTATIVES OF US OIL COMPANIES AND COMMUNICATE GOH REQUEST TO DEPARTMENT FOR CONSIDERATION.

2. ECONOFF WHO HAD BEEN IN TOUCH WITH TEXACO AND ESSO REPRESENTATIVES ON DETERIORATING SUPPLY AND REFINERY PROBLEM OBTAINED FOLLOWING UPDATE ON SITUATION AND COMPANIES' EFFORTS TO RESOLVE IT. TEXACO OFFICERS FROM CORAL GABLES AND HONDURAS ADVISED MINISTRY OF ECONOMY MARCH 17 OF SERIOUSLY SHORT SUPPLY OF PETROLEUM PRODUCTS AND REQUESTED PERMISSION TO IMPORT QUANTITIES NEEDED TO RESTORE RESERVES TO SAFE LEVELS. THEY WARNED OF POTENTIALLY SERIOUS SHORTAGES IN EVENT OF REFINERY BREAKDOWN. THEY ALSO REQUESTED ASSURANCES THAT TEXACO WOULD BE COMPENSATED FOR LOSSES FROM SUCH IMPORTATION DUE GOH-FIXED PRICES FOR CERTAIN FUELS, WHICH IN CASE OF DIESEL WAS 5 TO 7 CENTS A GALLON UNDER WOLD MARKET PRICES. THE MINISTRY TEMPORIZED, ASKING TEXACO TO SUBMIT AIDE-MEMOIRE TO THIS EFFECT. EARLY MARCH 19 MAIN OVERHEAD HEAT EXCHANGER AT REFINERY BEGAN LEAKING HIGHLY VOLATILE NAPHTHA GAS, CAUSING REFINERY SHUTDOWN. REPAIRS COMPLETED IN 36 HOURS AND REFINERY RE-STARTED. NEW LEAKS DEVELOPED EARLY MARCH 21 AND REFINERY AGAIN SHUT DOWN. ESSO REPRESENTATIVE CARLOS MOLINA BELIEVES HEAT EXCHANGER IN VERY POOR CONDITION DUE TO PROLONGED REFINERY OPERATION AT MAXIMUM CAPACITY AND MAY REQUIRE COMPLETE REPLACEMENT. THIS COULD REQUIRE PROLONGED SHUTDOWN. TEXACO ACKNOWLEDGES REFINERY OVERWORKED TO KEEP PACE WITH RISING DEMAND. QUARTERLY PRODUCT IMPORTS MAY BE NEEDED TO CLOSE CAPACITY GAP. AS OF MARCH 19 THE REFINERY'S DIESEL AND GASOLINE SUPPLIES WERE 5.5 AND 7 DAYS, RESPECTIVELY.

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3. TEXACO AND ESSO REPRESENTATIVES ADVISED EMBOFF THAT THEY BELIEVE DIVERSION OF SUPPLIES ON TANKERS IN AREA CAN MEET EMERGENT HONDURAS NEEDS. GOH WOULD, HOWEVER, HAVE TO AUTHORIZE IMPORTATIONS AND ASSURE COMPENSATION FOR PRICE DIFFERENTIALS. ECONMINISTRY SLOWNESS IN RESPONDING TO THEIR REQUESTS, ESPECIALLY IN TEXACO'S CASE, WAS CAUSING DELAY IN DIVERSION EFFORTS. THUS, IT WOULD APPEAR THAT THE SUPPLY PROBLEM CAN BE RESOLVED BY EFFORTS OF LOCAL OFFICERS OF THESE US COMPANIES, WITH COOPERATION OF ECONMINISTRY.

4. IN FOLLOW-UP CALL AT FONMIN AFTERNOON MARCH 21 AMBASSADOR RELATED WILLINGNESS OF ESSO AND TEXACO TO SEEK DIVERSION OF SHIPMENTS TO HONDURAS AND OF NEED FOR ECONMIN ACTION (PARA 3). AT URGING OF FONMIN, ECONMIN IMMEDIATELY AUTHORIZED TEXACO TO IMPORT NEEDED PRODUCTS AND GAVE ASSURANCE OF PRICE ADJUSTMENT. LOCAL TEXACO OFFICER COMMUNICATED THIS TO TEXACO CARIBBEAN (CORAL GABLES) AND IS AWAITING CONFIRMATION THAT DIVERSION OF A TANKER IS BEING ACCOMPLISHED.

5. COMMENT: FUEL CONSUMPTION IN HONDURAS HAS OVERTAKEN LOCAL  
TEXACO REFINERY'S CAPACITY, AND ECONMINISTRY TEMPORIZING OVER  
IMPORTATION OF SHORTFALLS HAVE PREVENTED MAINTENANCE OF RESERVES.  
APPARENT DISTRUST OF TEXACO ON PART OF ECONMIN DIAZ HAS MADE HIM  
RELUCTANT TO GRANT NEEDED IMPORT AUTHORIZATIONS AND PRICE RELIEF.  
REFINERY BREAKDOWN AND IMMINENT FUEL CRISIS WERE REQUIRED TO  
ESCALATE PROBLEM TO CABINET LEVEL FOR SOLUTION. IF TEXACO IS  
ABLE TO DIVERT A TANKER TO HONDURAS WITHIN ONE WEEK AND BARRING  
FURTHER MISHAP AT REFINERY, IMPENDING CRISIS WILL PASS. EMBASSY  
DOES NOT AT THIS TIME BELIEVE THAT DEPARTMENT'S ASSISTANCE WILL  
BE NEEDED IN SECURING A SOURCE OF SUPPLY.  
BECKER

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## Message Attributes

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